

**BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA**

**In Re: Petition to Establish Docket to)
Consider Implementing the)
Requirements Of:)**

**Section 1307 (State Consideration of)
Smart Grid) of the Energy Independence)
& Security Act of 2007)**

Docket No. 2008-____-E

**PETITION TO ESTABLISH DOCKET TO FULFILL THE STATE REQUIREMENTS
OF THE ENERGY INDEPENDENCE & SECURITY ACT OF 2007**

The South Carolina Office of Regulatory Staff, (“ORS”), pursuant to 26 S.C. Code Regs. 103-825, respectfully requests that the Public Service Commission of South Carolina (the “Commission”) convene a docketed proceeding to consider matters as required by Section 1307 of the Energy Independence & Security Act of 2007 (“EISA”). 26 S.C. Code Regs. 103-825, provides that petitions for relief may be filed with the Commission. In support of this Petition, ORS states as follows:

1. The Office of Regulatory Staff (“ORS”) is a state agency charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10(B). S.C. Code § 58-4-10(B)(1) through (3) read in part as follows: ...”public interest” means a balancing of the following:

- (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
- (2) economic development and job attraction and retention in South Carolina; and
- (3) preservation of the financial integrity of the state’s public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

2. The authorized representatives for ORS for this proceeding are:

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Pleadings, briefs, correspondence, and other documents in this proceeding should be served upon the authorized representatives.

3. On December 19, 2007, President Bush signed the EISA. The EISA requires state commissions to consider smart grid investments with respect to each electric utility for which the state commission has ratemaking authority¹.

4. A “smart grid” is a distribution system that allows for flow of information from a customer’s meter in two directions – into the house to thermostats, appliances and other devices, and from the house to the utility.² It includes a variety of operational and energy measures

¹ The Commission has ratemaking authority over the following electric utilities: Duke Energy Carolinas, LLC; Lockhart Power Company; Carolina Power & Light d/b/a Progress Energy Carolinas, Inc.; and South Carolina Electric & Gas Company.

² Page 20, Congressional Research Service Report for Congress titled “*Energy Independence and Security Act of 2007: A Summary of Major Provisions*,” December 21, 2007.

See also: Section 1301 of EISA and 42 U.S.C.A. § 17381, Statement of policy on modernization of electricity grid. It is the policy of the United States to support the modernization of the Nation's electricity transmission and distribution system to maintain a reliable and secure electricity infrastructure that can meet future demand growth and to achieve each of the following, which together characterize a Smart Grid::

- (1) Increased use of digital information and controls technology to improve reliability, security, and efficiency of the electric grid.

including smart meters, smart appliances, renewable energy resources, and energy efficiency resources.³ The goal is to use advanced, information-based technologies to increase power grid efficiency, reliability, and flexibility, and reduce the rate at which additional electric utility infrastructure needs to be built.⁴ The Smart Grid could allow appliances to be turned off during periods of high electrical demand and cost and give customers real-time information on constantly changing electric rates.⁵

5. Section 1307 of EISA⁶ entitled “State Consideration of Smart Grid” requires the Commission not later than one year after the enactment of EISA (by December 19, 2008) to set a hearing date or commence the consideration referred to in paragraphs 6 through 8 below with regards to each electric utility for which it has ratemaking authority.⁷

(2) Dynamic optimization of grid operations and resources, with full cyber-security.

(3) Deployment and integration of distributed resources and generation, including renewable resources.

(4) Development and incorporation of demand response, demand-side resources, and energy-efficiency resources.

(5) Deployment of “smart” technologies (real-time, automated, interactive technologies that optimize the physical operation of appliances and consumer devices) for metering, communications concerning grid operations and status, and distribution automation.

(6) Integration of “smart” appliances and consumer devices.

(7) Deployment and integration of advanced electricity storage and peak-shaving technologies, including plug-in electric and hybrid electric vehicles, and thermal-storage air conditioning.

(8) Provision to consumers of timely information and control options.

(9) Development of standards for communication and interoperability of appliances and equipment connected to the electric grid, including the infrastructure serving the grid.

(10) Identification and lowering of unreasonable or unnecessary barriers to adoption of smart grid technologies, practices, and services.

³ Id.

⁴ Id.

⁵ Id.

⁶ Section 1307 of EISA amends 16 U.S.C. §§2621(d) and 2622(b) through (d) of the Public Utility Regulatory Policies Act of 1978.

⁷ See §1307(b)(1) and 16 U.S.C. §2622. There appears to be a scrivener's error in the drafting of the law as these sections state that the state shall consider paragraphs (17) and (18) of 16 U.S.C. §2621; however, there is no paragraph (18) in 16 U.S.C. §2621.

6. Section 1307(a)(16)(A) of EISA requires the Commission to consider requiring an electric utility of South Carolina for which it has ratemaking authority to demonstrate that the utility considered an investment in a “qualified” smart grid system based on appropriate factors prior to undertaking investments in nonadvanced grid technologies. Factors in consideration for a qualified smart grid system include total costs, cost-effectiveness, improved reliability, security, system performance and societal benefit.

7. Section 1307(a)(16)(B) requires the Commission to consider authorizing each electric utility for which it has ratemaking authority to recover from ratepayers any capital, operating expenditure, or other costs of the electric utility relating to the deployment of a qualified smart grid system, including a reasonable rate of return on the capital expenditures for the deployment of the qualified smart grid system.

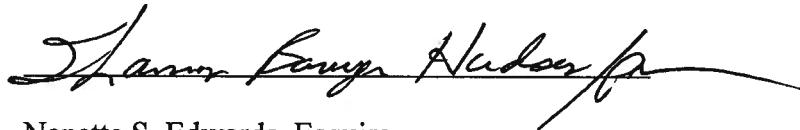
8. Section 1307(a)(16)(C) requires the Commission to consider authorizing any electric utility for which it has ratemaking authority to deploy a qualified smart grid system to recover in a timely manner the remaining book-value costs of any equipment rendered obsolete by the deployment of the qualified smart grid system, based on the remaining depreciable life of the obsolete equipment.

9. Section 1307(b)(1) requires the Commission to complete its consideration and make a determination with respect to paragraphs 6 through 8 above by December 19, 2009.

10. In conclusion, ORS respectfully requests that the Commission initiate a proceeding consistent with Section 1307 of the EISA by December 19, 2008 for those utilities over which this Commission has ratemaking authority and to complete its consideration and make a determination by December 19, 2009. Additionally, ORS requests that the Commission issue a procedural order and schedule soliciting public comments regarding Section 1307.

Submitted this 11th day of December, 2008

SOUTH CAROLINA OFFICE OF REGULATORY STAFF

A handwritten signature in black ink, appearing to read "Nanette S. Edwards", with a long horizontal flourish extending to the right.

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